Why People Migrate

- Main Reason for Migration: Better Wages
- Other Reasons
  - Better living conditions
  - Freedom/Persecution
  - Climate

Why Wages Differ across Countries

(Mostly these are the same reasons we've seen before, for why countries trade)

- Relative Factor Endowments
  - Of labor relative to other factors, such as land, capital, natural resources
  - Countries that have an abundance of these other factors tend to have
    - High demand for labor, and thus
    - High wage
    - They are likely to attract migration

- Differences in Technology
  - Advanced technology makes labor more productive
  - Causes higher wages, and attracts migration
Why Wages Differ across Countries

• Other causes for a country to have high wages
  – Infrastructure
  – Competitive and efficient markets
  – Strong institutions (“Intangible wealth”)
    • trust among people in a society
    • an efficient judicial system
    • clear property rights
    • effective government

Why Wages Differ across Countries

• Labor Unions?
  Do these contribute to high wages and thus attract migration?
  – This cuts both ways:
    • Labor unions do seek to increase wages and improve working conditions for their members
    • But one way to do that is to keep out migrant labor

Outline: Migration

• Why People Migrate
• Why Wages Differ across Countries
• Effects of Migration
  – On Payments to Factors
    • Labor
    • Other
  – Other Effects
• Policies to Affect Migration
• Facts about Migration

Effects of Migration

(See Deardorff “Migration”)

• Look at supply and demand
  – In two countries with different wages
  – What happens when labor migrates?
Lecture 10: Migration

Effects of Migration

Effect of migration on wages

- Migration pulls wages closer together

Effect of migration on welfare

- $a - b + c - d + e$

Effects of Migration: Labor

- Gain to migrants
- Gain to workers left behind
- Loss to competing workers already in US

Effects of Migration: Other

- Loss to factors other than labor in Mexico
**Effects of Migration**

- **Losers from migration**
  - In country of emigration: owners of factors other than labor
    - Their productivity and incomes are reduced by having less labor to work with
  - In the country of immigration: workers
    - They compete with the incoming workers and their wage falls

  Note that there may be different kinds of labor. Only those most similar to the immigrants lose.
  - These tend to be unskilled workers in the most common cases

- **Example:** The Mariel boatlift of April 1980
  - See Economist, “The Wages of Mariel”
  - 125,000 Cubans migrated to Miami, adding 8% to its workforce
  - Economists have studied this as a “natural experiment”
  - David Card in 1990 found no effect for bottom quarter of workers
  - George Borjas in 2016 found substantial lowering of wage of unskilled workers (high-school dropouts)
Effects of Migration

- Other effects, not in this simple model
  - Migrants
    - Pay taxes
    - Use government services
    - Which is larger? There is debate on this
    - Griswold cites study saying
      - Typical immigrants and their offspring will pay $80,000 more in taxes than they will collect in government services during their lifetimes

Effects of Migration

- Other effects, not in this simple model
  - Migration changes population density; may cause congestion
    - Eldredge blames immigration for "overcrowded schools, congested highways, deteriorating ecology and lagging infrastructure"
  - Diversity: presence of immigrants adds
    - Cultural enrichment
    - Cultural (ethnic) frictions
      - Xenophobia (fear or dislike of "others")

Effects of Migration

- Other effects, not in this simple model
  - Many migrants carry wealth with them out of their country of origin
    - Financial
    - Human capital
      - Raising concern about a "brain drain"
      - But see Economics Focus
        - Possibility of emigration provides incentive to acquire more education
        - Leads to more education even at home

Effects of Migration

- Other effects, not in this simple model
  - Many migrants send money back to their country of origin
    - Such "remittances" provide important income for poor countries
Effects of Migration

- Other effects, not in this simple model
  - Demographic effects
    - Immigrants tend to be young and have large families
    - This provides a larger young generation, whose earnings can support the elderly
      - Aging population is less of a problem for the US than for Europe and Japan, because of immigration

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Policies to Affect Migration

- Immigration Quotas, based on
  - Race
  - Country of origin
  - Income, wealth, skill
  - Family connections
- "Guest worker" Programs
  - Permit workers to enter temporarily to fill a labor-market need
  - Hard to enforce "temporary"
Policies to Affect Migration

• Trade Policies
  – Recall Factor Price Equalization
  – If this works, it reduces the incentive for migration
  – This was one motive for NAFTA: raise wages in Mexico so that fewer will try to enter the US
    • As we’ll see later, Mexican wages did not rise
    • Mexico-US migration fell anyway, for other reasons

• Encourage high-income immigration
  – Provide larger quotas for workers likely to earn high incomes
  – Deny welfare benefits to recent immigrants, so poor won’t be tempted to come (See Stelzer)

• Control the border
  – Make it hard for illegal immigrants to enter
  – But note the costs of doing this (See Skerry and Rockwell)
    • Encourages organized crime to smuggle migrants
    • These make life worse for the migrants

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Facts about US Immigration

(See Stelzer)
• In 1994, US had
  800,000 legal immigrants
  2-300,000 illegal immigrants
  That’s about 4 per 1000 population
• Is that a lot?
• In 1913 we had 13 per 1000 population!
  – (These should be 4% and 13%. See below.)
Facts about US Immigration

• Hostility toward immigrant groups often exists, but it fades over time
• Recall the hostility once felt in the U.S. toward
  – Irish
  – Southern Europeans (Italians, Greeks)
  – Asians (“coolie labor”)
• Hispanics are likely to follow the same path

But see also Borjas:
– Compared to 1970, today’s immigration is much higher
  • Foreign-born share of US population
    – 1970: 4.7%
    – 2003: 12.7%
– And he argues that today’s immigrants will take longer to assimilate than earlier ones
  • lower incomes and levels of education
  • the decline of manufacturing to employ them
  • the fact that they are less diverse ethnically
  • policies and attitudes of society

2007 US Immigration Bill
– Pushed by Bush, McCain, favored by many Democrats
– Defeated in Congress June 2007
– Would have
  • Provided legal status (& eventually citizenship) for illegal immigrants
  • Increased border enforcement to reduce future illegal immigration

The Wall
– We are, anyway, building a wall along the border (Already! Does Trump know that?)
– Problems:
  • Rivers, etc.
  • Wall is often not on actual border, but inside it, cutting properties in two
  • Wildlife movement
Facts about World Migration

- See Donnan (from 2014, before the surge of refugees from Syria)
  - Number of migrants is higher than ever, but not as share of population
  - About 3% of global population lives outside their country of birth
  - Greatest migrations today are inside countries (China)
  - Budgetary cost of new migrants, while probably positive, is generally small

- See Economist “From South to South”
  - Not all migration is from developing to developed countries
  - Much migration takes place from very poor developing countries to others that are just somewhat less poor
  - Why don’t they go to developed countries?
    - Often they can’t afford the trip
    - Less poor neighbors may be ones they can reach by bus or by walking

Merry-go-round

Migrant population by destination and origin
2015, m

Facts about US Immigration

- The Future?
  - Donald Trump has already taken several actions
    - To build the wall
    - To stop immigration from certain countries

Next Time

- International Movements of Capital
  - Multinational Corporations
  - Foreign Direct Investment